GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:474
ANSWERED ON:24.08.2001
INCOME TAX ON COMPENSATION OF LAND ACQUIRED BY THE GOVERNMENT
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

(a) whether compensation of more than rupees one lakh to be received by a project affected person for his land acquired for any project is chargeable to income tax at the rate of 10 percent w.e.f. June 1, 1999;

(b) if so, the details thereof;

(c) whether the project affected persons have made representations in this regard requesting the Government not to charge income-tax on the amount of compensation received by the project affected persons;

(d) if so, the details thereof; and

(e) the reaction of Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SH. GINGEE N. RAMACHANDRAN)

(a) to (e):- A statement is laid on the Table of the House.

Statement referred in reply to Parts (a) to (e) of Lok Sabha Starred Question No. 474 for 24.8.2001 on Income Tax on compensation of Land Acquired by the Government.

(a) & (b) Section 194L of the Income-tax Act, 1961 relating to payment of compensation on acquisition of capital asset was introduced by the Finance Act, 1999 with effect from 01.06.1999. As per provisions of the section, any person responsible for paying to a resident any sum being in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any capital asset, shall, at the time of payment of such sum deduct an amount equal to 10% of such sum as income-tax on income comprised therein. No deduction was required to be made under the section where the amount of such payment or the aggregate amount of such payments during the financial year did not exceed Rs. 1 lakh.

However, as a result of subsequent amendment made by the Finance Act, 2000 the provisions of the above section 194L have already ceased to be in force with effect from 1st June, 2000. Accordingly, no deduction under the above section is now required to be made from any payment made on or after 1st June, 2000.

(c) & (d) A number of suggestions are received by the Government every year at the time of formulation of the Budget proposals. The Government had also received a letter from the Chief Minister of Maharashtra regarding reconsideration of the provisions of section 194L of the Income-tax Act so that the project affected persons were not adversely effected.

(e) The provisions of section 194L of the Income-tax Act, 1961 have already been amended by the Finance Act, 2000. Accordingly, no tax is now required to be deducted at the source under the said section from any payment made on or after the 1st day of June, 2000.